The Effects of Medicare Beneficiaries' Secondary Insurance Coverage

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Background 1

- Out-of-pocket payments (coinsurance, deductible) reduce health care use.
- But almost all Medicare beneficiaries have secondary insurance. Few pay Medicare's coinsurance or deductible amounts.
- What impact does that have on Medicare cost and service use?
- Are there implications for policy?

Background 2

- CBO, PPRC looked secondary insurance impact in 1990s.
  - Secondary insurance increased Medicare costs ~25%.
  - Impact primarily on Part B services.
  - Estimates appeared robust (different data sources, methods, times).
- Lemieux et al (2008) disagreed.
  - Prior estimates overstate due to VA coverage.
  - Corrected estimate much smaller.
- MedPAC asked for re-analysis of impact of secondary insurance.

Methods 1

- MCBS 2003-2005 cost and use files.
- Contrast beneficiaries:
  - With no secondary insurance
  - With private secondary insurance.
- Carefully address VA and other issues.
- Measure total spending.
- Look at mix of services.

Methods 2

- Follow MedPAC methods to define insurance coverage
- Exclude: Disabled, MA, Medicaid, Institutionalized, A-only/B-only, VA service users.
- Contrast those with and without secondary insurance.
- Adjust for:
  - Demographics (age, race, gender)
  - Health status (self-report, claims-based risk adjusters)
  - Functional status
  - Income, Education
  - Any remaining cost difference will be attributed to the effects of secondary insurance.

Unadjusted Medicare Per-Capita Spending by Insurance Status

Secondary Insurance	Obser-vations	Total	Part A	Part B
Medicare Only	1,550	$ 3,975	$ 2,313	$ 1,662
All Private Secondary Ins.	16,947	$ 6,131	$ 3,041	$ 3,091
Memo: % difference		**54%**	**31%**	**86%**
By Type of Secondary Ins.				
Employer Sponsored	8,734	$ 5,975	$ 3,002	$ 2,974
Employer + Individual	1,416	$ 5,563	$ 2,548	$ 3,015
Individual Purchase (Medigap)	6,797	$ 6,471	$ 3,204	$ 3,267
Source: Analysis of 2003-2005 MCBS Cost and Use files.				

Beneficiaries' Characteristics by Secondary Insurance Status

	Medicare Only		Any Supplemental	
Average Part B out-of-pocket %	29.7%		7.7%	*
No Part B Use	20.0%		5.1%	*
Age	73.9		75.3	*
Male	47.8%		40.1%	*
Married	43.9%		59.8%	*
Caucasian	77.3%		92.5%	*
High_School_Dropout	45.5%		20.7%	*
Number of ADL limitations	51.3%		52.9%	
Health very good or excellent	49.7%		49.1%	
HCC risk score	91.7%		109.1%	*
Currently_Working	17.4%		12.8%	*
Income per Adult	$ 14,711		$ 22,676	*

Source: MCBS 2003-2005 Pooled. "*" indicates p < .05, adjusted for MCBS design effects.

Regression-Adjusted Spending by Secondary Insurance Status

	Total		**Part A**		**Part B**	
	Spending		Spending		Spending	
Spending, Medicare Only	$4,015		$2,335		$1,680	
Percent increase associated with:						
Employer sponsored	17%	*	9%		30%	***
Employer + Individual	25%	*	9%		48%	***
Individual Purchase	33%	***	18%		54%	***
Source: Analysis of MCBS 2003-2005 cost and use files, pooled.						
Notes: '* = p < .05, ** = p < 0.01, *** = p < .001						

Regression-Adjusted Spending Increase: Carrier Spending by Site of Service

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Other Sites (not hospital, ASC, office)	$ 127.29	23%	*
Inpatient	$ 280.56	32%	**
OPD/ASC	$ 260.67	33%	***
Office	$ 643.44	75%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Carrier Spending by Specialty

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Radiologists	$ 118.79	30%	
Generalists	$ 315.50	36%	***
Surgical specialists	$ 328.97	50%	***
Medical specialists	$ 341.39	89%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Carrier Spending by BETOS Category

Betos Category	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Emergency Visits (M3)	$ 57.84	0%	
Major Procedures, Cardiovascular (P2)	$ 74.20	30%	
Office Visits (M1)	$ 243.84	45%	***
Imaging, Standard (I1)	$ 92.10	55%	***
Imaging, Advanced (I2)	$ 77.59	62%	***
Specialist Visits (M5)	$ 56.63	78%	***
Minor procedures (P6)	$ 92.84	89%	***
Endoscopy (P8)	$ 53.63	100%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Inpatient Spending by Admission Type

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Emergency	$ 1,220.59	-6%	
Urgent	$ 404.89	6%	
Elective	$ 405.17	90%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Preventive Services

	Per-capita spending or use rate, no secondary insurance	% Increase With Supplemental Insurance	
Preventive services payments	$ 21.30	97%	***
Fraction with some preventive svc.	0.37	60%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Part B $ by Presence of Condition

Condition or Decedent Status	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Diabetes	$ 3,283	22%	**
Cancer	$ 4,924	32%	**
Cardiovascular Other Than CHF	$ 3,763	34%	***
Congestive Heart Failure	$ 4,568	36%	***
Chron. Obst. Pulm. Dis.	$ 3,877	41%	***
Decedents	$ 4,494	44%	**
None of the above	$ 646	76%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001 CHF = Congestive Heart Failure			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Conclusions from Empirical Analysis

- Secondary insurance raises Medicare costs substantially.
- Difficult to describe impact on service mix succinctly.
- My conceptual summary is that those who pay out-of-pocket costs appear:
  - More tolerant of small medical risk (e.g, preventive use, imaging).
  - Less willing to “fine-tune” health status (e.g., minor services).
  - No different for life-threatening episodes (e.g., emergency admits).
- Out-of-pocket costs can strongly influence beneficiaries’ choices (segue to policy).

Policy Ideas 1

- If you could limit secondary coverage of existing coinsurance/deductible amounts:
  - Potentially significant cost savings.
  - Might require or encourage rethinking the existing benefit structure:
    - Stop-loss?
    - Coinsurance on preventive care?
    - High inpatient deductible for emergency admissions?
  - Based on PPRC/NBCFM experience, difficult to do.

Policy Ideas 2

- Introduce new, effective copayment?
- Small, fixed dollar copayments
  - Subject to annual limit.
  - Exclude from secondary coverage by statute.
  - Exempt some persons, services (poor, preventive).
- Possible uses:
  - Across-the-board reduction in demand for services.
  - Targeted uses:
    - Dovetail with quality data (e.g., copayment applies for elective admission to low-quality hospital).
    - Dovetail with spending analysis (e.g., copayment applies to current fill-in-the-blank problem service/locality.)